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## **Statement from CIRM Regarding Resolution Passed by CFAOC Endorsing Certain Recommendations of the Little Hoover Commission**

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January 27, 2010—At yesterday's meeting of the Citizens Financial Accountability Oversight Committee, the chair of the committee, State Controller John Chiang, introduced a resolution recommending:

The CFAOC endorse the following Little Hoover Commission (LHC) recommendations and formally advise CIRM that they implement those proposed recommendations that need no legislative authority and support legislation where statutory changes are required (as related to the items below).

1. The legislature and CIRM should improve efficiency and transparency for distributing grant and loan funds.
2. The CFAOC and the CIRM governing board should use their authority to enhance oversight, and
3. The CIRM governing board should begin planning for CIRM's future through an open process.

CIRM and its governing board, the ICOC, welcome the CFAOC's input, and appreciate the time that CFAOC members devote to their role in reviewing CIRM's annual audit and its financial practices. The broader issues referenced above are important, and have been the subject of much attention by CIRM's staff and governing board.

Regarding CFAOC recommendation #1, CIRM considers its grant review and award process to be among the most transparent and efficient of any granting agency. Reviews by the Bureau of State Audits in 2007 and Controller Chiang's own office in 2008 concluded that CIRM's conflict of interest procedures go beyond the high standards of the National Institutes for Health. This CFAOC recommendation ties to recommendations 6, 7, 8, and 9 from the LHC.

LHC 6 suggests that CIRM modify its pre-application review process. A review of that process is already underway and the creation of a CIRM board subcommittee to consider the issue is on the agenda for the board meeting February 3 and 4.

LHC 7 asks that CIRM identify all applicants for grants. The CIRM board has already rejected this proposal noting that no granting agency of which CIRM is aware, other than the State of Connecticut, discloses the identity of all applicants. Disclosure of unsuccessful applicants could be damaging to careers or entire companies in the of case industry applicants, and thus could impede CIRM's mission by discouraging applications. Applicants will be discouraged from submitting novel, and potentially high-yield long shots. Public disclosure of funding denial could impede private companies efforts to raise additional capital.

LHC 8 asks that CIRM poll its outside reviewers to determine whether they would resign if they were forced to publicly disclose their financial interests. CIRM's board agreed to this and staff has conducted the poll and reported the results publicly.

LHC 9 asks that CIRM amend the minutes of board meetings to disclose vote tallies and recusals for conflicts of interest. CIRM's board agreed to this and the policy has been implemented. In addition, staff has amended all minutes dating back through 2008 to include this information.

Regarding CFAOC recommendation #2, appears to relate to LHC recommendation 14 which seeks to expand the legislated authority of the CFAOC to conduct performance audits in addition to the financial audits currently under its authority. However, Proposition 71 requires that scientific judgments be made by a panel of disinterested scientists who serve on CIRM's grants working group and CIRM's Governing Board, not the CFAOC. CIRM's grants working group members must have scientific and medical expertise and more than half of CIRM's board members are required to have significant scientific and medical expertise. Proposition 71 made a very specific and limited assignment to the CFAOC, which is comprised of individuals with financial expertise and some medical background.

CIRM has also embraced the concept that its core scientific programs should be reviewed by outside experts. Its 2006 Strategic Plan

called for the assembly of a panel of outside scientific and medical research experts of national and international stature to review its research portfolio and policies and procedures for managing that portfolio. The process for creating that panel is well underway and names of potential members will go to the CIRM Board meeting, probably in March, for input by the board and the public. The review by the outside panel will be made public.

Regarding CFAOC recommendation #3, that the CIRM governing board should begin planning for CIRM's future through an open process, much of the ability to handle the transition of board chair and vice chair scheduled for December 2010 "openly," is out of CIRM's control. By statute those nominations are made by the state's constitutional officers. However, the Board's Legislative Subcommittee, chaired by Art Torres, will convene a public meeting to discuss this proposal and consider criteria for these positions that expand on the performance requirements set forth in Proposition 71. The Legislative Subcommittee's recommendations will then be considered by the full Board at a public meeting. All criteria that are adopted, of course, must be consistent with the criteria specified in Proposition 71.

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